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# Fiscal Note

Fiscal Services Division



## SF 421 – E911 Surcharge Equalization (LSB 1422SV)

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Fiscal Note Version – New

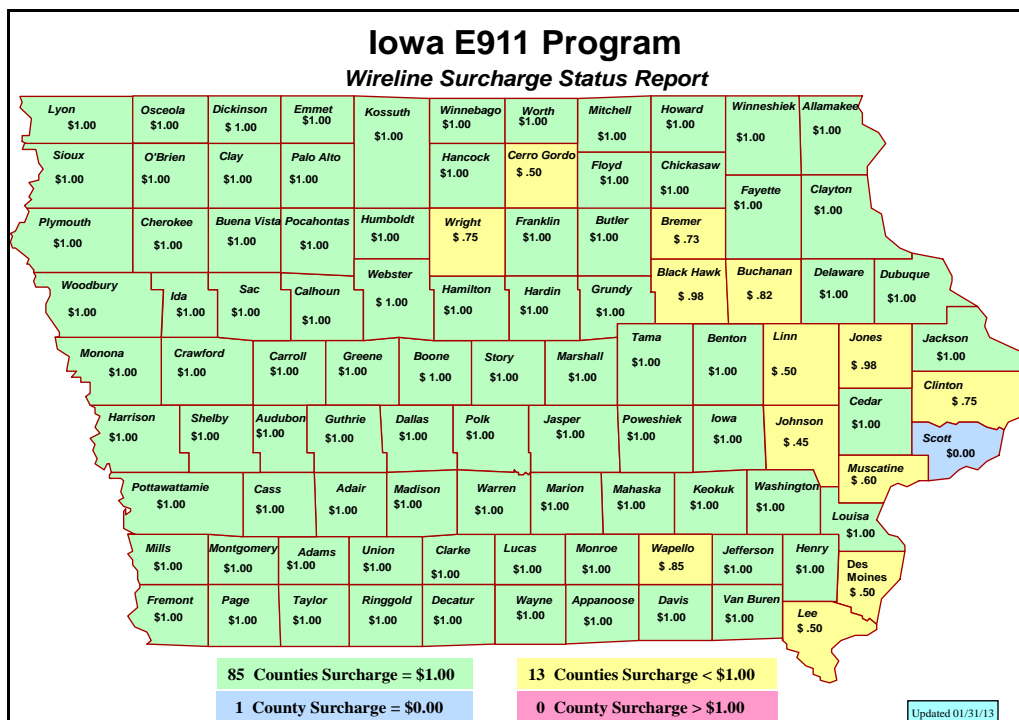
### Description

**Senate File 421** eliminates the existing voter referendum requirement regarding the imposition of the local wireline E911 service surcharge and the alternative surcharge applicable to wireline communications. The Bill imposes a \$1.00 surcharge for both the wireline and wireless E911 programs and reinstates the wireless carrier cost recovery for Phase 1 services. The Bill also requires the E911 Program Manager, in consultation with the E911 Communications Council, to establish methodology for the collection of data on all costs and expenses related to the operation of a public safety answering point (PSAP). The data collection will begin no later than January 1, 2014, with a report submitted to the General Assembly by March 1, 2016. Failure to submit expenses and costs by the county joint E911 service board will result in a \$0.35 penalty out of the \$1.00 surcharge.

### Background

#### Wireline

**Senate File 421** eliminates the voter referendum and the alternative surcharge on wireline services and increases the wireline surcharge paid per access line to \$1.00. As of January 31, 2013, 85 counties had a \$1.00 wireline surcharge. Thirteen counties had surcharges less than \$1.00, and one county charged nothing for the wireline surcharge (paid through county taxes). The following map shows the current surcharge in each county:



Money from the wireline surcharge is used for recurring and nonrecurring costs to the system. Nonrecurring costs include but are not limited to network equipment for the PSAPs, software, database, addressing, training, and other capital expenditures, including the purchase or lease of subscriber names, addresses, and telephone information from the local exchange provider. Recurring costs include but are not limited to network access fees and other telephone charges, software, equipment, database management, and maintenance, including the purchase or lease of subscriber names, addresses, and telephone information from the local exchange service provider. Recurring costs cannot be used for personnel. Personnel costs are paid from county or city funds, depending on the PSAP. There are currently 117 PSAPs.

### **Wireless**

[Senate File 421](#) also increases the current \$0.65 wireless surcharge to \$1.00. Beginning January 1, 1999, the State implemented a \$0.50 wireless E911 surcharge. The surcharge rate was increased to \$0.65 effective July 1, 2004. The surcharge is collected by the wireless service providers and remitted to the State E911 Program, under the Homeland Security and Emergency Management Division, on a quarterly basis.

The current \$0.65 wireless surcharge per quarter distribution is as follows:

- \$62,500 for administration, including 2.0 FTE positions, an annual audit, and program operating costs.
- The actual amount for wireline transport costs for local telephone companies to reimburse for transporting the wireless E911 call from the selective router to the PSAP.
- The actual amount for automated location information costs for local carriers to provide Automatic Location Information (ALI) database services and selective routing.
- 46.0% of the total surcharge generated is distributed to the PSAPs based on the following formula: 65.0% based on the square mileage of the local 911 service area and 35.0% on the volume of wireless E911 calls received by the PSAPs.
- Any funds remaining are deposited in the Wireless Surcharge Carryover Fund to be used for network capacity increases, upgrades, and PSAP projects.

[Senate File 2332](#) (Enhanced 911 Emergency Communications Act), enacted by the 2012 General Assembly, eliminated wireless carrier cost recovery for Phase 1 expenses. Prior to this, 21.0% of the total amount of the surcharge generated per calendar quarter was allocated to wireless carriers to recover their costs to deliver E911 Phase 1 services (call-back number and tower location of the call). In the early 2000s, the Federal Communications Commission (FCC) stated there was no need for a government-mandated carrier cost recovery mechanism, noting that carriers are free to recover these costs in their charges to customers, either through their service rates or through specific surcharges on customer bills. However, the Commission emphasized that states are free to have a carrier cost recovery mechanism in place if they so choose.

### **Assumptions**

- There are approximately 1,299,000 wireline subscribers in Iowa.
- There are approximately 2,256,000 wireless phone subscribers in Iowa.

### **Fiscal Impact**

There is no impact to the State General Fund. The impact to local entities is as follows:

- Increasing the surcharge from \$0.65 to \$1.00 per calendar quarter is estimated to result in increased revenue of \$1.6 million per quarter, or \$6.4 million a year.
- Restoring the wireless carrier cost recovery provision for Phase 1 services at the \$1.00 surcharge rate would allocate 13.0% of revenues, or an estimated \$780,000 per quarter. This restores a similar amount previously allocated under the \$0.65 surcharge rate.

## WIRELINE

The fiscal impact at the local level for additional wireline revenue is estimated to be additional revenue of \$3,456,000 per year in total for the 14 counties that are currently charging less than \$1.00 for the wireline surcharge.

## WIRELESS

The following chart reflects the estimated fiscal impact of increasing the wireless surcharge from \$0.65 to \$1.00.

Current Law - \$0.65 wireless surcharge per quarter		Senate File 421 - \$1.00 wireless surcharge per quarter	
REVENUE	Estimated	REVENUE	Estimated
Surcharge Revenue	\$ 4,400,000	Surcharge Revenue	\$ 6,000,000
Funds for HSEMD to administer program	(62,500)	Funds for HSEMD to administer program	(62,500)
Interest	7,000	Interest	7,000
Expenditures	(250)	Expenditures	(250)
	<u>\$ 4,344,250</u>		<u>\$ 5,944,250</u>
PAYMENTS		PAYMENTS	
Wireline Transport Costs	\$ 300,000	Wireline Transport Costs	\$ 300,000
Automatic Location Info. (ALI) Costs	1,500,000	ALI/Transport	1,500,000
PSAPS (46%)	2,024,000	PSAPS (46%)	2,760,000
Total Payments	<u>\$ 3,824,000</u>	Carriers (13%)	780,000
		Total Payments	<u>\$ 5,340,000</u>
OVERALL SUMMARY		OVERALL SUMMARY	
Surcharge	\$ 4,344,250	Surcharge	\$ 5,944,250
Payments	(3,824,000)	Payments	(5,340,000)
Carryover	<u>\$ 520,250</u>	Carryover	<u>\$ 604,250</u>

## Sources

Homeland Security and Emergency Management Division, E911 Program Manager  
Iowa Utilities Board

/s/ Holly M. Lyons

March 20, 2013

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.